

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10

L-03 FRB-03 OMB-01 ITC-01 SP-02 ICA-11 AGRE-00

AID-05 CIAE-00 COME-00 INR-10 IO-13 LAB-04

NSAE-00 OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15

PA-01 INT-05 CTME-00 DOE-15 SOE-02 GSA-02 /165 W

-----073708 101559Z /45

R 101447Z JUL 78

FM USMISSION GENEVA

TO SECSTATE WASHDC 1812

INFO ALL OECD CAPITALS

AMEMBASSY BANGKOK

AMEMBASSY COLOMBO

AMEMBASSY KUALA LUMPUR

AMEMBASSY JAKARTA

AMEMBASSY MOSCOW

AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: UNCTAD

SUBJECT: SECOND UNCTAD CONSUMER MEETING ON RUBBER, JULY 3-7

REFERENCE: GENEVA 09153

1. SUMMARY: OVER TWENTY NATURAL RUBBER CONSUMING COUNTRIES MET UNDER UNCTAD AUSPICES JULY 3-7 TO ATTEMPT TO DEVELOP A COORDINATED CONSUMER POSITION ON ELEMENTS OF A NATURAL RUBBER AGREEMENT TO BE CIRCULATED TO PRODUCERS BY JULY 15 IN PREPARATION FOR THE AUG/SEPT PRODUCER/CONSUMER PRE-NEGOTIATION SESSION.

2. AS A RESULT OF CONTINUING DIVERGENCES ON KEY ELEMENTS SUCH AS BUFFER STOCK SIZE, EXPORT CONTROLS, FINANCING AND LIMITED OFFICIAL USE

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OTHER ISSUES, THE JOINT CONSUMER PAPER WHICH EMERGED (SENT SEPTEL) ATTRIBUTED TO "A NUMBER OF MAJOR CONSUMING COUNTRIES," CONTAINED ONLY GENERAL LANGUAGE ALTHOUGH IT FOLLOWED CLOSELY THE LINE OF THE US PROPOSAL. IT WAS AGREED THAT EACH COUNTRY COULD ALSO SUBMIT ITS OWN NATIONAL PAPER, CLARIFYING AND ELABORATING ITS POSITION ON THE ELEMENTS OF AN AGREEMENT. MAJOR CONSUMERS CONTINUED TO BE SKEPTICAL

ABOUT THE LARGE US PROPOSED BUFFER STOCK. SOME COUNTRIES SHOWED SIGNS OF FLEXIBILITY ON EXPORT CONTROLS BUT MOST CONTINUED TO MAINTAIN VIEW THAT SOME TYPE OF EMERGENCY EXPORT CONTROL MEASURES ARE REQUIRED. MOST MEMBERS OF THE EC AND JAPAN APPEARED FAVORABLY DISPOSED TOWARD THE US SEMI-AUTOMATIC PRICE REVISION MECHANISM. END SUMMARY.

3. BUFFER STOCK SIZE/EXPORT CONTROLS: THOUGH THE CONSUMER TEXT CALLS FOR A BUFFER STOCK OF UNSPECIFIED SIZE AS THE INSTRUMENT OF PRICE STABILIZATION IN AN AGREEMENT, AND MAKES NO MENTION OF CONTINGENCY EXPORT CONTROL MEASURES, IT MASKS A WIDE DIFFERENCE BETWEEN THE US AND VIRTUALLY ALL OTHER CONSUMERS ON BUFFER STOCK SIZE AND EXPORT/PRODUCTION CONTROLS. THE US CONTINUED TO ARGUE FOR A PURE STOCK OF 700,000 TONS AND AGAINST ANY FORM OF EXPORT OR PRODUCTION CONTROLS; OTHERS BELIEVE THAT EXPORT CONTROL MEASURES IN EMERGENCY SITUATION ARE DESIRABLE OR, AT LEAST, POLITICALLY INEVITABLE AND JAPAN INDICATED IN PRIVATE DISCUSSIONS ITS WILLINGNESS TO ACCEPT PRODUCTION CONTROLS. NEVERTHELESS, WHILE EXPRESSING SUPPORT FOR SUCH MEASURES, NONE APPEARED WILLING TO ACCEPT THE PRODUCER PROPOSAL FOR CONSUMER FINANCING OF NATIONAL STOCKS ARISING FROM EXPORT CONTROLS OR OTHER CONTINGENCY MEASURES. THE EC AND JAPAN TALKED IN TERMS OF A 400,000 TON STOCK AND THIS FIGURE SEEMED REASONABLE TO OTHER CONSUMERS.

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4. PRICE REVISION MECHANISM: JAPAN, SEVERAL MAJOR EC COUNTRIES, AND SOME OTHER COUNTRIES APPEAR FAVORABLY DISPOSED TOWARD A VERSION OF THE US PROPOSED SEMI-AUTOMATIC RULE FOR REVISING THE PRICE RANGE. ON THE OTHER HAND, THE NORDICS EXPLICITLY SUPPORTED THE PRODUCER PROPOSED MECHANISM FOR CONSULTATIVE ESTABLISHMENT OF FLOOR AND CEILING PRICES AND SOME OTHER CONSUMERS EXPRESSED RESERVATIONS THAT A SEMI-AUTOMATIC RULE WHICH ALLOWED FOR DOWNWARD REVISION OF THE PRICE RANGE, WOULD NOT BE NEGOTIABLE WITH PRODUCERS.

5. FINANCING: CONSUMERS REMAIN SPLIT OVER BUFFER STOCK FINANCING ALTHOUGH MOST SEEM TO FAVOR DIRECT GOVERNMENT CONTRIBUTIONS. THE US AND MOST EC COUNTRIES AGREE WITH PRODUCERS THAT THE BUFFER STOCK SHOULD BE FINANCED BY GOVERNMENT COMMITMENTS OF DIRECT CONTRIBUTIONS TO THE AGREEMENT, BUT WOULD REQUIRE THAT SHARES BE DIVIDED EQUALLY BETWEEN PRODUCERS AND CONSUMERS. AT LEAST THE UK, CANADA AND POSSIBLY JAPAN WANT TO LEAVE THE DOOR OPEN TO LEVY FINANCING. THE USSR SAID IT WOULD PREFER TO DEFER CONSIDERATION OF FINANCING UNTIL A CLEARER PICTURE OF THE SHAPE OF AN AGREEMENT EMERGES.

6. OTHER ISSUES: ONLY ON BANDWIDTH COULD A REASONABLY FIRM CONSENSUS BE REACHED. MOST CONSUMERS SEEMED WILLING TO AGREE TO A 15 PER CENT INNER BANDWIDTH WITHIN WHICH NO BUFFER STOCK ACTIVITY WOULD OCCUR. HOWEVER, ON THE INDICATOR PRICE, THE EC AND JAPAN WOULD NOT COMMIT TO THE US PROPOSED COMPOSITE INDICATOR OF VOLUME GRADES OF RUBBER BUT EXPRESSED FLEXIBILITY AND A WILLINGNESS TO CONTINUE DISCUSSIONS ON THE ISSUE. THOUGH MOST OTHER CONSUMERS ARE PREPARED TO CONSIDER SOME PROVISION FOR MONITORING AND COORDINATION OF INVESTMENT AND R&D PROGRAMS IN PRODUCING COUNTRIES, THEY ARE EXTREMELY RELUCTANT TO LEAVE THE DOOR OPEN TO FINANCING SUCH MEASURES THROUGH THE AGREEMENT. CONSUMERS WERE RELUCTANT TO AGREE TO PRESS PRODUCERS TO REVISE

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THEIR EXPORT TAX POLICIES, OR TO INCLUDE A PRIOR CONSULTATIVE PROVISION ON CHANGES IN SUCH POLICIES, THOUGH THE JOINT CONSUMER PAPER SPECIFICALLY RECOGNIZES THE NEGATIVE IMPACT OF HIGH AND PROGRESSIVE EXPORT TAX STRUCTURES IN SOME PRODUCING COUNTRIES.

8. COMMENT: THE US MANAGED TO INJECT SOME KEY ELEMENTS OF ITS POSITION INTO THE CONSUMER PAPER, BUT NEITHER THE EC NOR

JAPAN MADE ANY FIRM COMMITMENTS ON MAJOR ELEMENTS OF AN AGREEMENT. NEITHER APPARENTLY HAS DEVELOPED FIRM POSITIONS ON A FINAL NEGOTIATING POSITION AND BOTH ARE ANXIOUS TO MAINTAIN FLEXIBILITY TO BE ABLE TO REACT TO PRODUCER VIEWS DURING THE UPCOMING TALKS. WITHIN THE EC THE NETHERLANDS APPEARS TO BE THE MAJOR OBSTACLE TO A UNIFIED POSITION WITH COMMISSION OFFICIALS THEMSELVES FAVORABLE TOWARD US POSITION. LIMITED OFFICIAL USE

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SIGNIFICANT DIFFERENCES REMAIN WITH THE US ESPECIALLY ON BUFFER STOCK SIZE AND CONTINGENCY MEASURES. IT IS UNLIKELY THAT THE GAP ON THESE ISSUES WILL BE NARROWED PRIOR TO ENTERING THE PRENEGOTIATING SESSION WITH PRODUCERS IN AUG/SEPT.

9. THE US MADE CLEAR THAT IT MAINTAINED THE POSITION OUTLINED IN ITS ORIGINAL PROPOSAL AND PLANNED TO SUBMIT ITS OWN CLARIFICATION PAPER ALONG WITH THE CONSUMER TEXT. VANDEN HEUVEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, RUBBER, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA10402
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780282-0267
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780780/aaaacppq.tel
Line Count: 193
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 328ae378-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 GENEVA 9153
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2072887
Secure: OPEN
Status: NATIVE
Subject: SECOND UNCTAD CONSUMER MEETING ON RUBBER, JULY 3-7
TAGS: ETRD, UNCTAD
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/328ae378-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014